



**SOLENT  
LOCAL  
ENTERPRISE  
PARTNERSHIP**

## **SOLENT GROWTH FORUM**

**TUESDAY, 14 MARCH 2017 AT 6.45 PM OR ON THE  
CLOSING OF THE PREVIOUS MEETING,  
WHICHEVER IS LATER.**

**COUNCIL CHAMBER, FAREHAM BOROUGH  
COUNCIL**

Telephone enquiries to Jess Willmott (023) 9268 8924  
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Deputations requests may be made by emailing [Democratic.Services@portsmouthcc.gov.uk](mailto:Democratic.Services@portsmouthcc.gov.uk)

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### **AGENDA**

- 1 Introductions and Apologies for Absence**  
(5 minutes)
  
- 2 Notes of Previous Meeting of 17 October 2016 and Matters Arising**  
(Pages 5 - 8)  
(5 minutes)  
  
To agree the attached minutes of the previous meeting held on 17 October 2016.
  
- 3 Declarations of Interests**  
(5 minutes)
  
- 4 Discussion on Building Our Industrial Strategy Green Paper and Fixing Our Broken Housing Market White Paper. (Pages 9 - 32)**  
(30 minutes)  
  
**Purpose:**  
To provide advice to the LEP to inform the LEPs responses to the Building Our Industrial Strategy Green Paper and the Fixing Our Broken Housing Market White Paper.

**5 Inward Investment and International Trade.** (Pages 33 - 36)

(10 minutes)

**Purpose:**

To provide an update on the 2015/16 UKTI Inward Investment Figures and initiate a discussion on the LEP's approach to encouraging International Trade and Inward Investment in the Solent.

**6 Local Growth Deal Capital Programme Update and Launch of Solent Growth Deal Development Fund** (Pages 37 - 44)

(5 minutes)

**Purpose:**

To respond to any questions on the Local Growth Deal Capital Programme Update paper and launch a new Solent Growth Deal Development Fund, providing access to funding to support the costs associated with developing projects.

**7 Forward Plan.**

(5 minutes)

**Purpose:**

To receive a proposed forward plan for forthcoming meetings of the Solent Growth Forum.

**8 Any Other Business and Close**

**Membership**

Councillor Seán Woodward	Fareham BC
Councillor Donna Jones	Portsmouth CC
Councillor Simon Letts	Southampton CC
Councillor Guy Shepherd	East Hampshire DC
Councillor Keith House	Eastleigh BC
Councillor Mark Hook	Gosport BC
Councillor Roy Perry	Hampshire CC
Councillor Michael Cheshire	Havant BC
Councillor Martin Hatley	Test Valley BC
Councillor Caroline Horrill	Winchester CC
Councillor David Stewart	Isle of Wight Council
Councillor Edward Heron	New Forest DC

**Invited Ex Officio Members**

Di Roberts	Brockenhurst College
Ken Moon	Federation of Small Businesses

Vacancy

Tim Houghton  
John Henderson  
Vacancy  
Mike O'Neill  
Hannah Rignell

Fiona Dalton

Graham Galbraith  
Vacancy  
Kevin Bourner

Southern and Eastern Region Trades  
Unions Congress  
Community First  
Highways England  
Skills Funding Agency  
Environment Agency  
BIS Local  
University Hospital Southampton NHS  
Foundation Trust  
University of Portsmouth  
Network Rail  
Homes and Communities Agency

### **Standing Ex Officio Members**

Stuart Baker  
Marc Griffin  
Robert Parkin

Chris Ward

Solent LEP  
Solent LEP  
Legal Advisor to Solent LEP Accountable  
Body (PCC)  
Chief Finance Officer for the Solent LEP  
Accountable Body (PCC)

### **Also invited:**

Anne-Marie Mountifield  
Gary Jeffries

Chief Executive, Solent LEP  
Chair, Solent LEP

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# Agenda Item 2

DRAFT SUBJECT TO APPROVAL

## SOLENT GROWTH FORUM

RECORD OF DECISIONS of the meeting of the Solent Growth Forum held on Monday, 17 October 2016 at 7.00 pm at the Guildhall, Portsmouth

### Present

Councillor Mark Hook (in the Chair) (Gosport BC)

Councillor Sean Woodward (Fareham Borough Council)

Councillor Donna Jones (Portsmouth City Council)

Councillor Guy Shepherd (East Hants District Council)

Councillor Martin Hatley (Test Valley BC)

Councillor Rob Humby (Hampshire CC substitute member)

Councillor Tony Briggs (Havant BC substitute member)

Councillor Victoria Weston (Winchester CC)

Ex officio: Bruce Voss (HCA)  
Sarah Duckering (University of Portsmouth for Prof.Gabraith)

LEP/Accountable Body Officers:  
Anne-Marie Mountifield, Stuart Baker, Marc Griffin, James Fitzgerald (Financial Adviser), Robert Parkin (Legal Adviser)

### 32. Introductions and Apologies for Absence

Robert Parkin, Legal Adviser, reported that as the chairman Councillor Cheshire had sent his apologies for absence, a chair for the meeting needed to be elected from the current members. Councillor Mark Hook was duly proposed, seconded and elected as chair for this meeting. All present then introduced themselves.

Other apologies for absence included Councillor Perry (Hampshire CC), Councillor Heron (New Forest DC), Councillor Letts (Southampton CC) and Councillor Bacon (Isle of Wight) and ex-officio members Graham Galbraith, Ken Moon, Kevin Bournier, Chris Ward, Di Roberts, Tim Houghton and Fiona Dalton.

### 33. Declarations of Interests

There were no declarations of interest.

### 34. Notes of Previous Meeting of 7 June 2016 and Matters Arising

The notes of the Solent Growth Forum meeting held on 7 June 2016 were agreed as a correct record.

### **35. Local Growth Deal Capital Programme Update**

Marc Griffin, Solent LEP, presented this update report, on the LEP Local Growth Deal capital programme in 2016/17. The Capital Programme and forecast underspend would be discussed at the Solent LEP Board meeting on 21<sup>st</sup> October 2016.

The Local Growth Deal Capital Programme update was noted by the Solent Growth Forum.

### **36. Solent LEP Strategy Update**

Anne-Marie Mountifield, Chief Executive of the Solent LEP, presented this update on 2016 activity, emerging policies relating economic growth and the future role of LEPs (as set out on page 2 of the presentation that was circulated to members and would be placed on the PCC website for this meeting).

A policy update was provided, which focussed on the emergence of a new Industrial Strategy, which was being led by the Department for Business, Energy and Industrial Strategy (BEIS). Under the BEIS Department Local Growth Champions were being appointed for each LEP area and the Minister Jo Johnston had been confirmed as the Local Growth Champion for the Solent LEP area.

Members of the Solent Growth Forum were invited to give their comments prior to the Solent LEP Board meeting later that week on economic strategy for the Solent and on the future direction of LEPs.

The Chair thanked Anne-Marie for her presentation.

### **37. Updated Economic Baseline and Forecasting**

Neil McCullough from Oxford Economics gave a detailed presentation on recent performance and the outlook for the Solent LEP area, which was circulated and would be made available to members on email on the meeting's webpage. Some of the key findings were:

- Job growth was significantly weaker than expected (page 6)
- Residential employment rate had increased (p.7)
- Outturn growth for the Solent is half of the forecast rate but the productivity gap with the wider South East is less than expected (p8)
- Solent area to experience slower population growth, driven by a reduction in net inward migration. There will be a shrinking working age population (p10)
- p11 showed 47,000 additional jobs are expected to be created in the Solent LEP area to 2036
- Growth in productivity in the Solent is expected to be similar to that of the wider South East and UK (1.7%) to 2036.

The Chair thanked Neil for his presentation and invited comments and questions which included:

- In response to the findings on GVA performance the forum asked whether the LEP would be setting a GVA target in their new economic strategy when it is developed. Anne-Marie reported that the current economic plan was based on 3% GVA growth per annum and there was the need to look at the issue of 'place' (i.e. how we want this area to look in a way that reflects local specialisms and economic strengths as well as the need to reflect the drive to improve productivity and business growth).
- There was a query on the impact of changes in population on spatial planning, particularly in relation to housing supply. Neil from Oxford Economics advised that whilst population figures were down there was still the need to look at affordability of housing as well as supply. Anne-Marie reiterated that affordability still remained a big problem for businesses in recruiting skilled staff in the Solent area.
- It was suggested that the figures from the presentation would be fed back by PUSH officers to the consultants GL Hearne who had undertaken work on the PUSH Spatial Strategy.
- Clarification was sought on the geographical basis of the figures, namely whether the data represented the true Solent area. Neil confirmed that the data was based on the Solent LEP geography.

The presentation contained interesting information which members wished to share wider with their colleagues, so electronic copies would be made available.

### **38. Forward Plan**

Stuart Baker had brought forward this information report to reflect requests from members for future agenda items, which were proposed to be taken to the **next meeting on 7<sup>th</sup> February 2017**. The views of members were also invited on the timings of meetings, and whether these should continue to be held immediately following the PUSH meetings or whether a daytime meeting may be more convenient (which may encourage more ex-officio members to participate).

Action: Members were asked to forward any requests for future items as well as their views on timings of future meetings to Stuart Baker at the LEP.

### **39. Any Other Business and Close**

There was no extra business raised.

The meeting concluded at 8.00 pm.

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Chair

# Agenda Item 4



**Meeting:** Solent Growth Forum  
**Date:** 14<sup>th</sup> March 2017  
**Item 4:** Discussion on Building Our Industrial Strategy Green Paper and Fixing Our Broken Housing Market White Paper.

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## Purpose of report

This briefing note provides a high level summary of the Green Paper [Building Our Industrial Strategy](#) and the [Fixing Our Broken Housing Market](#) White Paper to introduce a discussion to inform the Solent LEP responses to each proposed policy document.

## 1. Introduction

This briefing note provides a high level summary of the Green Paper Building Our Industrial Strategy, which was published by the Department for Business, Energy and Industrial Strategy (BEIS) for consultation on 23<sup>rd</sup> January 2017 and the White Paper Fixing our Broken Housing Market, which was published by the Department for Communities and Local Government (DCLG) on 7 February 2017.

The Industrial Strategy Green Paper sets out how the government propose to build a "modern industrial strategy" and seeks views on the proposed approach, by the 17<sup>th</sup> April 2017. The LEP will be responding to this consultation and is convening a series of roundtables and other fora to inform and shape our response to the consultation.

The Housing White Paper sets out how the government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity. The government is seeking views on the proposed approach by 2<sup>nd</sup> May 2017. The LEP will be responding to this consultation also, and is convening a roundtable and other fora to inform and shape our response to the consultation.

## 2. Building Our Industrial Strategy

The government believe that an industrial strategy must respond to three challenges:

- Build on our strengths and extend **excellence** into the future;
- Close the gap between the UK's most **productive** companies, industries, places and people and the rest; and
- Make the UK one of the most **competitive** places in the world to start or grow a business.

By addressing these three challenges, the government will seek to achieve its objective *"to improve living standards and economic growth by increasing productivity and driving growth across the whole country."*

The underperformance of the UK in terms of productivity, noted in the discussion paper, is mirrored in the Solent economy. The total value of GVA in Solent stood at £27.8 billion, accounting for just under 12% of regional output. Average productivity in the Solent stood at £45,645 in 2015, this was 8.4% below the regional average and just under half a percent behind the UK average. There are a range of factors that influence this performance, including inadequate transport infrastructure, insufficient levels of higher level and technical skills, and the sectoral profile of the industrial base, amongst others. In response the LEP has prioritised investment in our economic infrastructure; developing the skills that our economy needs to succeed; ensuring that ideas and knowledge are at the forefront of our approach, supporting our businesses to innovate, export and grow; and building on our sectoral strengths and recognise our comparative advantage. Further detail is set out in the [Solent Productivity and Growth Strategy Update 2017](#).

The government see their approach to an industrial strategy as being different from past approaches, in that a *modern industrial strategy* should seek to create the right conditions for new and growing enterprises to thrive, rather than protecting the position on incumbent or traditional industries. This recognises the unfolding technological revolution that is disrupting existing and creating new markets and that the rate and profound impact of this revolution necessitates an approach that provides the conditions for the nurturing of new, rather than the sustaining of traditional, industries. Locally, the Solent LEP has commissioned work to identify those sectoral and technological strengths where the Solent has a competitive and comparative advantage. Sectoral excellence exists in relation to marine and maritime, defence, aerospace, photonics, aspects of life sciences, CleanTec, whilst we have technological strengths in autonomous systems, advanced materials, intelligent infrastructure, and web science.

The focus of the proposed industrial strategy also looks at providing the conditions and institutions to enable every "place" to meet its potential and this includes supporting economic growth in all areas, and there is an emphasis on ensuring that this is not just *'for prosperous places such as London and the South East'*. For an area such as the Solent that underperforms on a number of economic measures, most notably productivity, it is important that the strategy does recognise that not all areas in the South east are prosperous and that work will be required to address the barriers to economic growth and prosperity that we see in our area. Too frequently, the Solent is assumed to be atypical of the wider south east, yet our economic profile is more akin to that of a northern conurbation, and the scale of the challenges that these pose would benefit from a place-based approach that tailors response to the local situation. Indeed, even within the Solent there is disparity. The [UK Competitiveness index 2016](#) ranks Solent as the second least competitive LEP area in the south east of England, and within the Solent Gosport is ranked 208<sup>th</sup> (out of 379 Local Authority areas), whereas the Isle of Wight is ranked 339<sup>th</sup>.

The industrial strategy is proposed to be built on ten pillars, which the government believe important to drive forward the industrial strategy. These are summarised in Annex 1.

In broad terms there are also three key challenges that the strategy will seek to address as the UK looks to make decision about their long terms economic future. They are as follows:

- a. To **build on our strengths and extend excellence** into the future; and
- b. To ensure that **every place meets its potential** by working to close the gap between our best performing companies, industries, places and people and those which are less **productive**;

and

- c. To make the UK one of the **most competitive places in the world** to start or to grow a business

**At the SGF meeting, the LEP Executive will share feedback from roundtable meetings it has been convening with business to inform its response to the Industrial Strategy Green Paper and will seek the views of the SGF on this feedback.**

### **3. Fixing our Broken Housing Market**

The Government has published a new White Paper that seeks to address three key challenges that are identified as:

- a. **Over 40 per cent of local planning authorities do not have a plan that meets the projected growth in households in their area.** The government acknowledge that there are many reasons for this, but they contend that one of the most significant is the way local decision-makers respond to public attitudes about new housing; and
- b. **The pace of development is too slow.** This Government's reforms have led to a large increase in the number of homes being given planning permission. But there is a large gap between permissions granted and new homes built. More than a third of new homes that were granted planning permission between 2010/11 and 2015/16 have yet to be built; and
- c. **The very structure of the housing market makes it harder to increase supply.** The government advise that housing associations have been doing well – they're behind around a third of all new housing completed over the past five years – but the commercial developers still dominate the market.

The White Paper proposes an approach to house building based on the following:

- **There is a need to plan for the right homes in the right places.** This is critical to the success of our modern industrial strategy. Growing businesses need a skilled workforce living nearby, and employees should be able to move easily to where jobs are without being forced into long commutes.
- **There is a need to build homes faster.** We will invest in making the planning system more open and accessible, and tackle unnecessary delays
- **They will diversify the housing market,** opening it up to smaller builders and those who embrace innovative and efficient methods.

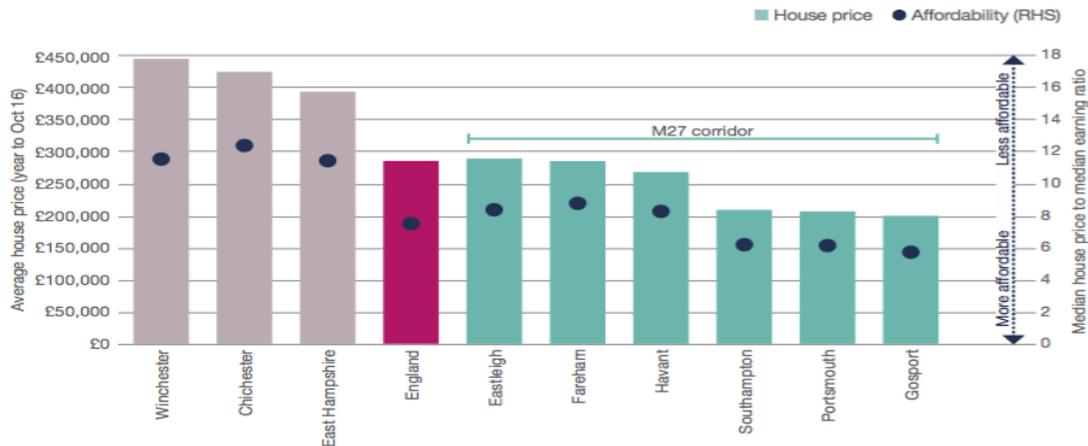
They key elements of the White Paper are summarised in Annex 2.

Solent LEP have identified the need to bring forward new housing and as such have prioritised infrastructure funding to support key housing schemes as North Whiteley and Welborne. In both instances these developments have encountered delay and the pace of development is slow.

In the Solent area the market is challenging when viewed from the perspective of new supply, availability and affordability. There is a serious and chronic shortage of housing and steps are being taken to address this with delivery of new housing featuring very prominently in the Solent SEP. Notwithstanding this we need to do more as it is affecting productivity and restricting labour market flexibility, with many businesses simply unable to fill vacancies and many areas of the health and social sector reporting skills shortages as they struggle to recruit key workers.

A recent report published by Savills shows that economic growth in the Solent area will place further pressure on an already undersupplied housing market. According to the current Strategic Housing Market Assessments (SHMAs) for the local authorities along the M27 corridor, at least 4,000 additional homes are required per year. The following diagram shows affordability ratios in our area.

### Average house prices, affordability and supply in the M27 corridor



Source: HM Land Registry, DCLG, local authority SHMAs, DCLG

Whilst the supply of new homes increased over the last five years, reaching 3,060 in the year to March 2016, it was still short of need by 940 homes. The low level of supply has contributed to an increase in house prices. Over the year to September 2016, house prices have grown between 8.0% and 10.7% across all six local authorities, above the national average of 7.1%.

**At the SGF meeting, the LEP Executive will share feedback from roundtable meetings it has been convening with business to inform its response to the Housing White Paper and will seek the views of the SGF on this feedback.**



HM Government

Annex A



# Building our Industrial Strategy

Green Paper  
January 2017

# Summary

## Why we need a modern industrial strategy

Industrial strategy can mean many different things. In the 1970s, industrial strategy became synonymous in Britain with the failures of nationalised industries like British Leyland, “picking winners”, poorly targeted government investment and sclerotic growth.

More recently, industrial strategy has been used to describe successful interventions in countries as diverse as South Korea, the United States, Germany and in some aspects, the UK. Targeted interventions – ranging from tax breaks and deregulation to strategic procurement decisions and specific investment in particular skills – have been combined with free market economic policies to nurture growth in particular sectors and places. Far from the experience of 1970s Britain, the international approach to industrial strategy has often been fruitful, leading to more productive and better balanced economies.

This document sets out a new vision. A vision for a modern British industrial strategy that does not repeat the mistakes of our past, and learns the lessons of our own successes and those of our overseas competitors. It is a vision to support, strengthen and develop our different industries, and to get all parts of the country firing on all cylinders.

**The objective of our modern industrial strategy is to improve living standards and economic growth by increasing productivity and driving growth across the whole country.**

This is not about the Government directing the economy or determining the industries of the future from Whitehall. Instead, we will identify our competitive strengths, explore with industry the ways in which government can help, and put in place institutions and relationships to sustain higher levels of productivity over the long term. It is about creating an economy resilient to change and fit for the future.

In some industries, this approach is already mature. The Government has long worked collaboratively with the aerospace industry to create one of the world’s best business environments for advanced aerospace engineering, design and manufacture. In the automotive sector, close partnership between government and industry has supported strong growth, with thousands of people employed in highly skilled jobs. But this relationship is less developed in other industries, and we have not established a coherent framework for industrial strategy across all sectors. This document starts to set out that framework.

We identify 10 pillars we believe are important to drive forward our industrial strategy across the entire economy: science, research and

innovation; skills; infrastructure; business growth and investment; procurement; trade and investment; affordable energy; sectoral policies; driving growth across the whole country; and creating the right institutions to bring together sectors and places. These pillars frame our approach, and across each of them we set out a programme of new policy.

The way in which these pillars relate to specific places will vary, and will change over time. In some areas, it will be important to target government investment flexibly to support specific areas or sectors. In others the right intervention might be to create new sector bodies, research institutions or financing bodies – where the lack of those institutions is holding back growth and productivity.

In all cases, we will work with industry and draw upon the considerable expertise of UK business to design our industrial strategy.

### **Why we are proposing this strategy**

This strategy draws on lessons from other countries and identifies some of the key approaches that have enabled stronger productivity and more balanced growth in other economies.

It also draws on our own history: what has worked and what has failed; the strengths we must build on and the weaknesses we must correct.

These lessons have led us to the 10 pillars for the industrial strategy we set out in this paper. We are proposing these areas because the evidence shows that they drive growth. Places with higher rates of investment in research and development, more highly skilled people, better infrastructure, more affordable energy and higher rates of capital investment grow faster and have higher levels of productivity. Policies on trade, procurement and sectors are tools we can use to drive growth by increasing competition and encouraging innovation and investment. Through central government actions and by strengthening the local institutions that support a more productive economy we can ensure that growth is driven across the whole country.

## The pillars

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1. **Investing in science, research and innovation** – we must become a more innovative economy and do more to commercialise our world leading science base to drive growth across the UK.

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2. **Developing skills** – we must help people and businesses to thrive by: ensuring everyone has the basic skills needed in a modern economy; building a new system of technical education to benefit the half of young people who do not go to university; boosting STEM (science, technology, engineering and maths) skills, digital skills and numeracy; and by raising skill levels in lagging areas.

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3. **Upgrading infrastructure** – we must upgrade our standards of performance on digital, energy, transport, water and flood defence infrastructure, and better align central government infrastructure investment with local growth priorities.

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4. **Supporting businesses to start and grow** – we must ensure that businesses across the UK can access the finance and management skills they need to grow; and we must create the right conditions for companies to invest for the long term.

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5. **Improving procurement** – we must use strategic government procurement to drive innovation and enable the development of UK supply chains.

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6. **Encouraging trade and inward investment** – government policy can help boost productivity and growth across our economy, including by increasing competition and helping to bring new ways of doing things to the UK.

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7. **Delivering affordable energy and clean growth** – we need to keep costs down for businesses, and secure the economic benefits of the transition to a low-carbon economy.

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8. **Cultivating world-leading sectors** – we must build on our areas of competitive advantage, and help new sectors to flourish, in many cases challenging existing institutions and incumbents.

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9. **Driving growth across the whole country** – we will create a framework to build on the particular strengths of different places and address factors that hold places back – whether it is investing in key infrastructure projects to encourage growth, increasing skill levels, or backing local innovation strengths.

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10. **Creating the right institutions to bring together sectors and places** – we will consider the best structures to support people, industries and places. In some places and sectors there may be missing institutions which we could create, or existing ones we could strengthen, be they local civic or educational institutions, trade associations or financial networks.

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These pillars all reinforce one another. An economy with more innovative start-ups will require more highly skilled people, more venture capital, and better digital infrastructure. Inward investment can drive productivity growth by bringing new ideas and new ways of doing things to the UK. But to attract inward investment we need to be competitive on energy costs and infrastructure – as well as having a strong science base and highly skilled people. And the aims of our strategy will be further advanced by other complementary work – such as our further thinking on the labour market which will be set out later in the year.

In many of these areas, such as innovation, finance and attracting inward investment, the UK already has great strengths. The industrial strategy will enable us to capitalise fully on them.

### **The nature of the challenge**

The UK has grown strongly in recent years – by over 14 per cent since 2010, second only to the United States among major advanced economies<sup>4</sup>.

Employment has reached a record high, with 2.7 million more people in work than in the first quarter of 2010<sup>5</sup>. Unemployment is at its lowest level for 11 years.

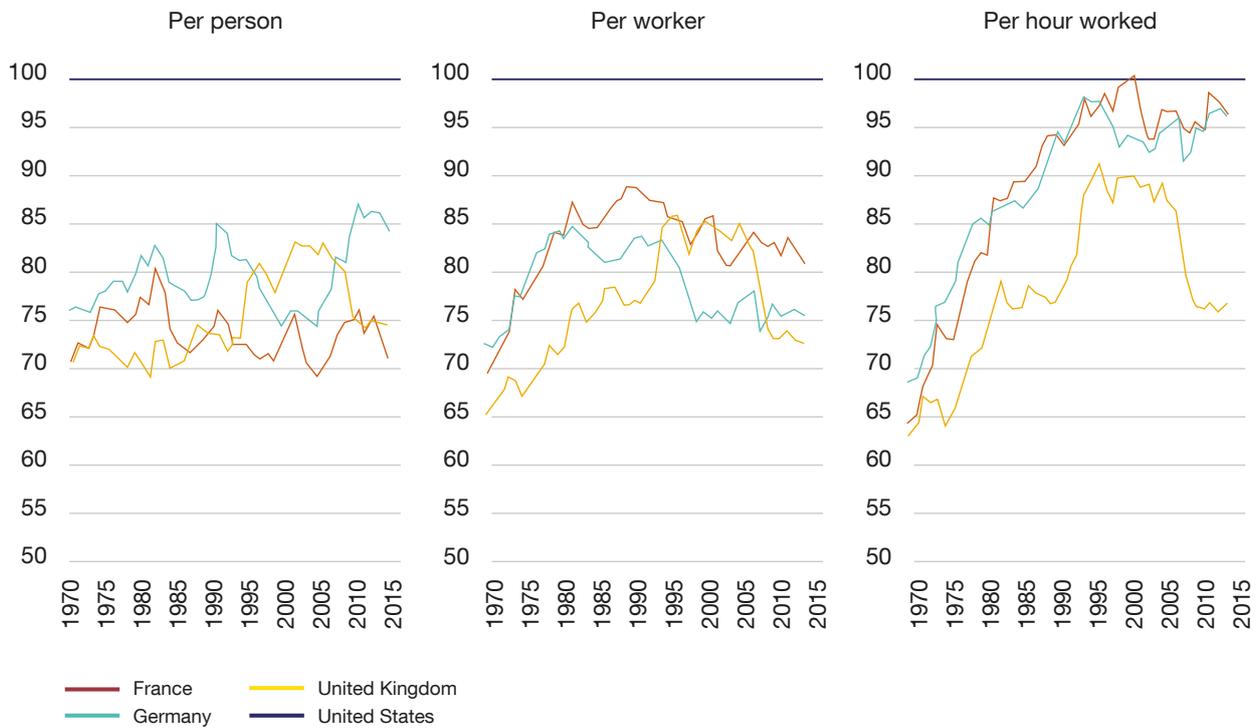
But while real wages are now growing, earnings are still recovering from a substantial decline following the recession of 2008<sup>6</sup>. Per capita growth in incomes has not been as strong as headline figures on overall GDP growth.

If we want to see faster growth in wages, sustained over the long term and experienced across the country, the UK needs to address the productivity gap with other leading countries. While the proportion of people in work is at a record high, we still produce less for every hour we work than our competitors.

The gap with our competitors is a longstanding one. Following the reforms of the 1980s, the UK reduced the productivity gap with the United States. During the years before the 2008 recession, the UK had largely caught up with Germany in terms of output per worker, and moved ahead of France on output per person, showing that we can improve our performance. However, though we closed the per-worker gap substantially, per-hour productivity remained lower than France, Germany and the US<sup>7</sup>.

The recession of 2008 reversed much of this progress, with the UK hit harder than other countries. As a result, productivity in the UK fell substantially behind our competitors. As the graph opposite shows, workers in France, Germany and the US produce on average as much in four days as UK workers do in five<sup>8</sup>. To get sustainably higher wages, this gap must be closed.

### Productivity and output in the UK, France and Germany, compared to the US



\*As a percentage of the USA (USA=100) Source: OECD Dataset: Level of GDP per capita and productivity 2017

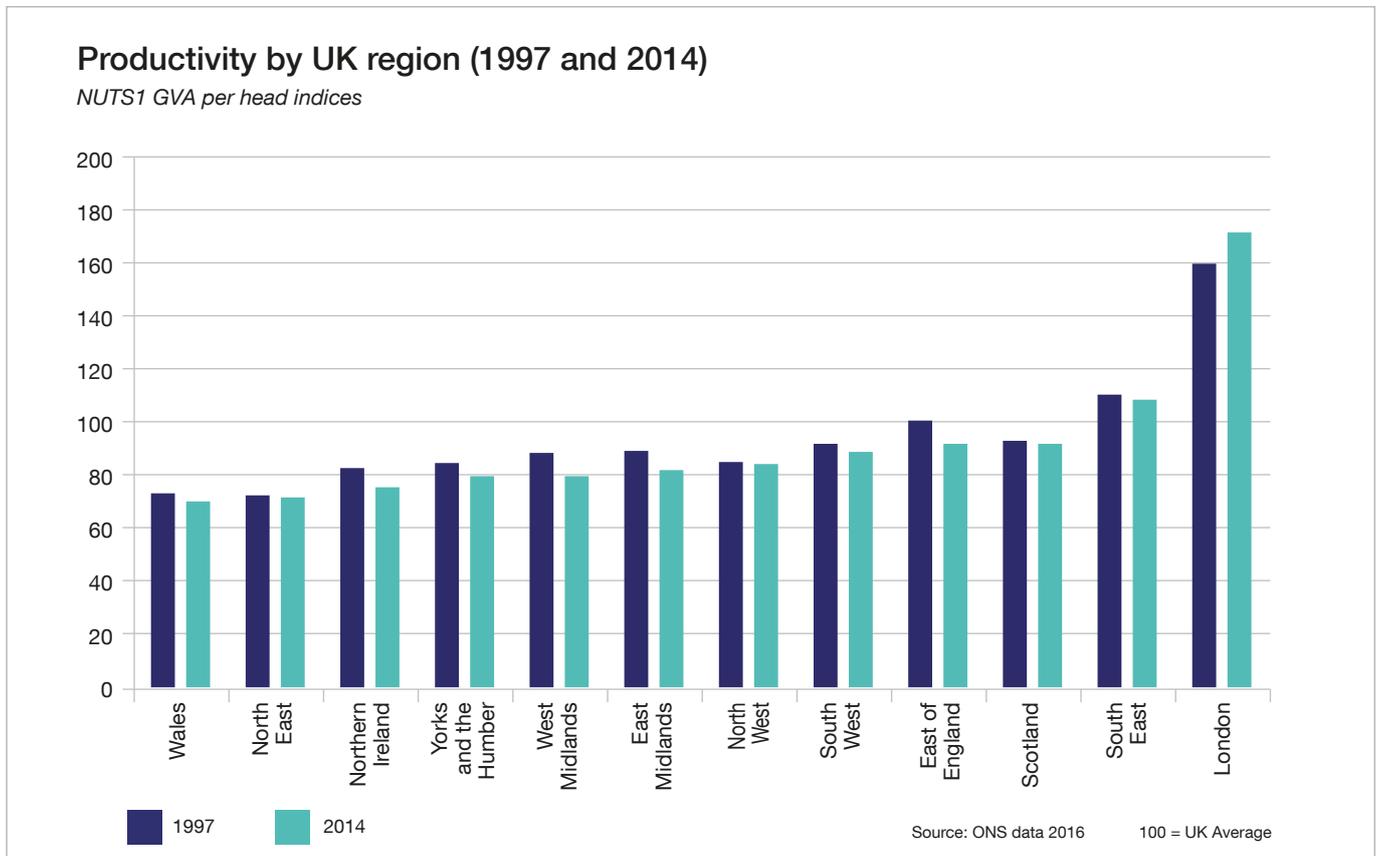
Improving productivity does not mean making people work harder. It means helping them to work smarter – producing more value for each hour of their time and thereby increasing their earning power. This is how economies grow and how living standards improve.

The differences hidden beneath the UK’s headline rate of productivity are also of great significance.

Our country has significant disparities in economic performance. The productivity gap between different parts of the country has been widening for decades, and it is these differences that ultimately impact on how much people earn.

As the graph overleaf shows, the majority of increases in productivity have been focused in London. Since 1997, London has moved from being 59 per cent higher than the UK average ‘gross value added’ per person (GVA is a measure of economic performance), to 72 per cent above, while most other regions have fallen further behind the national average<sup>9</sup>.

Regional disparities are now wider in the UK than in other western European nations. In the UK, 61 per cent of people live in areas with incomes 10 per cent below the national average<sup>10</sup>. This compares to only 50 per cent in Germany, and just 40 per cent in Italy. Even France, with a similarly dominant capital city, is more balanced – 53 per cent of people live in areas 10 per cent below the average.



It is important not to over-simplify this story. For instance, the productivity gap within each region is greater than between regions. Furthermore, since the 1990s, the gap between north and south has been driven by the resurgence of London, which for most of the twentieth century had been falling behind the rest of the country<sup>11</sup>. We want London to continue to prosper, but the rest of the country needs to keep pace too.

Change is possible. Since 2010 wages have grown fastest in Northern Ireland and the North East of England<sup>12</sup>, while the unemployment rate has fallen fastest in Wales<sup>13</sup>. Scotland has seen the fastest growth in productivity.

So while regional disparities are especially high in the UK, change in the right direction is possible. Indeed, more than possible, it is essential – because that is where much of the untapped potential of the British economy is to be found.

## Tackling the productivity gap and driving growth

The objective of the modern industrial strategy is to improve living standards and economic growth by increasing productivity and driving growth across the whole country.

The 10 pillars in this Green Paper are summarised here and explored in more detail in the following chapters.

### Investing in science, research and innovation



Innovation is not just about a few people in labs making breakthroughs, but about adopting new and more productive ways of working. To become a more innovative economy requires the ability to seize new opportunities and adapt to change. The United Kingdom has the advantage of a strong science base – including more Nobel Laureates than any country outside the United States<sup>14</sup>.

But historically, we have not been as successful at commercialisation and development as we have been at basic research. We have often been slower than competitors to take up and deploy existing technologies: for example, the UK makes less use of robotics and automation than most other countries in Western Europe<sup>15</sup>.

Our competitors have also grown their investment in research and development relative to the UK. The UK invests 1.7 per cent of GDP in private and public funds on research and development. This is below the OECD average of 2.4 per cent<sup>16</sup> and substantially below the leading backers of innovation – countries like South Korea, Israel, Japan, Sweden, Finland and Denmark – which contribute over 3 per cent of their

GDP to this area<sup>17</sup>. Compared to competitors in Asia, UK public funding is relatively concentrated on early stage research.

Furthermore, there are regional disparities in how the public sector and companies spend money on research and innovation, with UK public R&D funding heavily focused on the ‘golden triangle’ of Oxford, Cambridge and London. As well as continuing to unleash the excellence of institutions, we need to build on the excellence in research and innovation that exists in other parts of the country too, and ensure that capital, institutional influence and government attention is targeted there effectively.

We will invest an additional £4.7 billion by 2020-21 in R&D funding, a bigger increase than in any Parliament since 1979. This paper starts a consultation on how to invest this funding, setting out options ranging from investment in local science and innovation strengths, and increased support for commercialisation, to investing in future research talent. For example, by increasing the number of PhDs in the STEM subjects – science, technology, engineering and maths.

It also consults on the technologies which the new Industrial Strategy Challenge Fund could support, including: smart and clean energy technologies (such as storage and demand response grid technologies); robotics and artificial intelligence (including connected and autonomous vehicles and drones); satellites and space technologies; leading edge healthcare and medicine; manufacturing processes and materials of the future; biotechnology and synthetic biology quantum technologies, and transformative digital technologies including supercomputing, advanced modelling, and 5G mobile networks.

Given its central importance to a range of new technologies, including in the automotive sector, the government has also asked Sir Mark Walport, the Government's Chief Scientific Adviser, to consider the case for a new research institution as a focal point for work on battery technology, energy storage and grid technology. Sir Mark will report in early 2017. Given the UK's underlying strengths in science and energy technology, we want to be a global leader in battery technology.

## Developing skills



The United Kingdom has some of the top universities in the world and a larger proportion of our population have degree-level qualifications than most of our competitors. However, technical education has been relatively neglected. A bewilderingly complex array of qualifications, some of which are poor quality, makes the system hard to use for students and employers.

Consequently, we have a shortage of technical-level skills, and rank 16th out of 20 OECD countries for the proportion of people with technical qualifications<sup>18</sup>.

We have particular skills shortages in sectors that depend on STEM subjects, where we need more of these graduates to compete successfully in a global economy.

We still have too many underperforming schools and low overall levels of numeracy and literacy. England remains the only OECD country where 16 to 24-year olds<sup>19</sup> are no more literate or numerate than 55 to 64-year olds. Large differences in skill levels around the country, including among school leavers, are compounding imbalances in the UK economy.

This paper opens a discussion on how we can create a new system of technical education, including: a radically simplified set of qualifications; an easy means of finding and applying for technical education courses similar to the UCAS process for higher education; and creating prestigious new Institutes of Technology to deliver higher-level technical education in all regions. A process will be launched this year to establish Institutes of Technology.

This paper also consults on how to boost STEM skills at all levels, from further encouraging the uptake of these subjects at university and expanding the number of specialist maths schools across the country, to new steps to ensure universal basic numeracy. The creation of a new "transition year" will help ensure no-one drops out of education at the age of 16. Faster changes in technology mean we need to help more people retrain in new skills, so we will embed the concept of lifelong learning. To renew communities affected by economic changes and support people in industries at risk of decline, we will explore new approaches including more effective outreach directly into workplaces to promote retraining. The Government will set out its approach in the Spring Budget 2017.



## Upgrading infrastructure



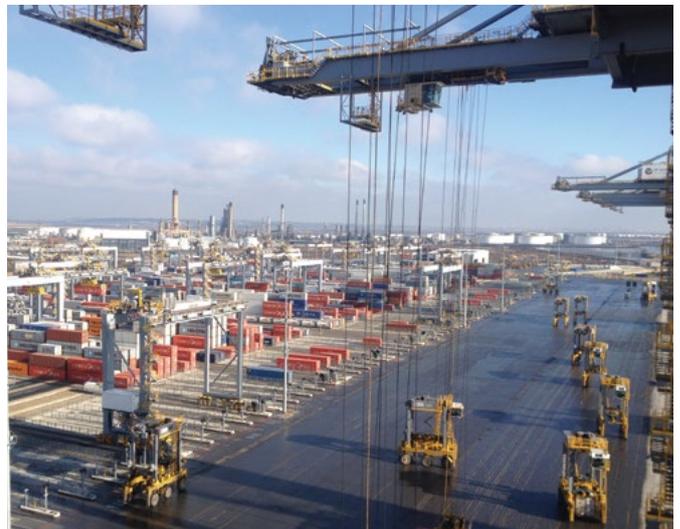
Though the United Kingdom has pioneered many types of infrastructure from railways to mobile telecoms, the quality of our transport infrastructure has been rated as second lowest among G7 countries. According to World Economic Forum surveys our overall infrastructure is perceived by international businesses as worse than our competitors<sup>20</sup>.

This has been driven by factors such as a lack of clear long-term plans and budgets, a complex planning system, and failure to align planning for infrastructure with planning for housing and industry. We need to upgrade our energy, transport, water, flood defence and digital infrastructure across the country.

This will ensure that our businesses can thrive, services are resilient and can enable higher rates of house-building, making houses more affordable. And, as one of the world's leading digital nations, much of the UK's current and future prosperity depends also on our ability to exploit technology and to ensure our data and networks are secure against the many threats we face.

In the Autumn Statement the Government announced a new National Productivity Investment Fund that will add £23 billion in high-value investment from 2017-18 to 2021-22. This includes: £2.6 billion for improvements in transport projects to reduce journey times and help deepen labour markets through improved travel links, and £740 million to support the roll-out of fibre broadband connections and future 5G mobile technology. As well as increasing central government economic infrastructure investment by 60 per cent between 2016/17 and 2020/21, we have improved the framework

for public investment through use of long-term budgets and new institutions like the National Infrastructure Commission and Infrastructure and Projects Authority to enhance planning and project delivery. We will also take action to support more private infrastructure investment: as well as taking strategic decisions on major projects such as Heathrow, Hinkley Point C and HS2, the Government will extend support for infrastructure bonds and loans and create new opportunities for private involvement with new construction-only guarantees.



The Government has established new funding to enable central investment to support local growth. The new £2.3 billion Housing Infrastructure Fund will allow joined-up planning for housing and infrastructure in areas of severe need, and will fund the infrastructure needed to enable house-building on sites with marginal viability in areas with an acute housing need. Our £1.7 billion Accelerated Construction programme will support new entrants and developers, innovative private sector partners and offsite manufacturers to ensure homes are built at up to double the speed of traditional house builders. A total of £1.1 billion of funding for local roads and public transport networks will allow communities to fix local travel bottlenecks that hold back growth.

## Supporting businesses to start and grow



The United Kingdom is a world-leading financial centre, but we need to do more to ensure that firms across the whole country can get the finance they need to grow.

The UK ranks third for start-ups, but 13th for the number of businesses that successfully scale up according to OECD research. One potential cause of this is an under-supply of long-term funding – “patient capital” – and later stage venture capital for growing UK companies<sup>21</sup>. Some report that equity finance is more available in London and the South East than other parts of the country. More broadly, we need to ensure that barriers to entrepreneurship and scale-up are identified and addressed in order for UK companies to be able to grow into major global players. We also need to ensure the conditions are right for companies to invest.

The UK invests on average two to three per cent of GDP less than France, Germany and the United States in fixed capital – such as plant and machinery<sup>22</sup>. This is a long running problem: the UK has ranked in the lowest 25 per cent of all OECD countries for investment in 48 out of the last 55 years.

The Patient Capital Review, recently announced by the Prime Minister, will identify the most effective ways to improve the availability of patient capital for growing businesses.

It is essential that we explore all options that could improve businesses’ ability to invest for the long term, so in this paper we are also inviting views on how to address the factors constraining quoted companies and fund managers from making longer-term investment decisions. We will work with the British Business Bank and the ScaleUp Institute to understand and address the relative weakness of venture capital funding and entrepreneurship networks outside the South East.

## Improving procurement



The public sector spends around £268 billion per year, equivalent to 14 per cent of GDP<sup>23</sup>. Used strategically, government procurement can encourage innovation, competition, and investment in skills. US agencies and initiatives like the Defense Advanced Research Projects Agency (DARPA), and the Small Business Innovation Research programme have shown how strategic procurement can drive innovation and the creation of new technology businesses.

To realise this potential, the Government has launched an independent review of the UK’s Small Business Research Initiative to examine how we can use strategic procurement to support businesses developing innovative new products and services. It will report in early 2017. The Government is rolling out the “balanced scorecard”, an approach recently developed by the Cabinet Office, across all major construction, infrastructure and capital investment projects over £10 million, including



those in the recently published National Infrastructure and Construction Pipeline<sup>24</sup>. The scorecard will ensure the impact of procurement on the growth of small business and UK supply chains, skills and apprenticeships is taken into account when considering the value for money of different bids.

## Encouraging trade and inward investment



Government trade and inward investment policies can open up markets for UK firms and bring in income. Measures to support trade and investment can have a crucial impact on long-term growth; not only do they bring in money, trade and investment, but also bring new ideas and approaches, increasing competition and growth.

We start from a strong position on investment – as the number one location for inward investment in Europe – but not enough UK firms export, and trade as a share of the economy has grown more slowly than in our G7 competitors over recent decades.

The creation of the new Department for International Trade is an opportunity to upgrade dramatically support for investors and exporters. The Autumn Statement doubled capacity to support exports through UK Export Finance. We are also building future trading relationships, and we are encouraged that countries such as Canada, China, India, Mexico, Singapore and South Korea have already said they want to discuss our future trading relationships.



The Government is working to support businesses through discussions on market access issues with third countries<sup>25</sup>. We will test a new 'Team UK' approach to trade, convening consortia of businesses around UK Export Finance backed funding to bid for major overseas contracts, and providing the strong political support that competing countries often do.

We will continue to improve how the promotion of inward investment links up with local areas and we will explore where there are sectors in the UK which could benefit from support to create recurring international trade fairs. We will also consider how we can develop a more strategic approach to targeting inward investment, including measuring our success in terms of the impact of investment on growth. We are also reviewing what we can learn from inward investment strategies of key competitors and will report in 2017.

## Delivering affordable energy and clean growth



We need to ensure that we keep costs down for businesses, we coordinate changes to energy infrastructure triggered by new technologies (such as electric vehicles), and we secure the economic benefits of the transition to a low-carbon and resource-efficient economy by making sure next generation technologies are created and harnessed in the United Kingdom.

The Government will set out a long-term roadmap in 2017 to minimise business energy costs. This will be informed by a review, commissioned by the Government, of the opportunities to reduce the cost of achieving our decarbonisation goals in the power and industrial sectors. The review will cover how best to support greater energy efficiency, the scope to use existing instruments to support further reductions in the cost of offshore wind once current commitments have been delivered, and how Government can best work with the regulator Ofgem to ensure markets and networks operate as efficiently as possible in a low-carbon system.

We will also review the opportunities for growth from the energy sector and the opportunities for the UK. We are already testing the use of new grid technologies in various locations around the country in preparation for the shift to electric vehicles. To ensure that new energy technologies are developed here – and the UK benefits from global investment in this area – we have doubled support for energy innovation, and are already investing over £600 million in support to accelerate the transition to ultra low emission vehicles. At the Autumn Statement 2016 additional funding of £270 million was announced.



## Cultivating world-leading sectors



Leadership from business has been key to the success of sectoral policies in the UK and other countries. We propose to set an ‘open door’ challenge to industry to come to Government with proposals to transform their sectors through ‘Sector Deals’. The Government will work with sectors that organise themselves behind strong leadership to help deliver upgrades in productivity.

This could involve: addressing regulatory barriers; promoting competition and innovation; working together to increase exports; and working together to commercialise research. Sector deals will be driven by business to meet the priorities of business.

The Government welcomes initial work on early sector deals, including from Sir John Bell on life sciences; Richard Parry-Jones on the transition to ultra low emission vehicles; Juergen Maier on industrial digitalisation; Lord Hutton on improving UK competitiveness and skills in the nuclear industry; and Sir Peter Bazalgette on the creative industries.

## Driving growth across the whole country



Economic imbalances between different parts of Britain are larger than our competitors, with incomes and living standards lagging behind in too many parts of the country. These disparities hold back the country's growth and limit opportunities for too many people.

We should confront the fact that our economy is one of the most centralised in the world, with institutions that are often too fragmented to provide the most effective leadership in shaping successful places. Evidence and experience suggests that strong, streamlined, decentralised governance – such as through our city deals, growth deals and mayoral devolution deals – can improve economic decision-making and spur innovation and productivity gains.

We will use infrastructure investment to support local growth and the rebalancing of the economy. The creation of new funding like the Housing Infrastructure Fund and £1.1 billion of funding for local roads and public transport networks will enable infrastructure decisions to be matched more effectively with local economic plans.

We will tackle historic underinvestment and have provided development funding for major infrastructure upgrades such as the Midlands Rail Hub and Northern Powerhouse Rail. We will continue to support better local decision-making structures for infrastructure planning, including the new mayoral combined authorities, and regional bodies like Midlands Connect and Transport for the North. Strong

and accountable place-based governance – with a clear business voice – will be critical to making the most of this additional investment.

Differing skill levels entrench the disparities in our economy, so we will go beyond the national skills reforms set out above and take further actions where skill levels are too low. We will work with local areas to test new approaches to closing the skills gap. These could include: improved pre-school education to reduce the divergence of achievement which opens up before school; new schemes to support the retention and attraction of graduates; and measures to increase the take up of apprenticeships.



We will also use the additional R&D investment set out above to back world-class research and innovation, supporting local economies across the country. New funding streams, such as the Industrial Strategy Challenge Fund, could allow us to invest in the innovation strengths of different areas, whether led by businesses or universities. Expanding existing streams supporting universities' commercialisation activity would allow them to do more for their local economy and support more local small businesses.

### Creating the right institutions to bring together sectors and places



Two key lessons from industrial policy in other countries are the need for consistency and patient effort, and to deliver this, the need to create the right institutions to support development over the long term.

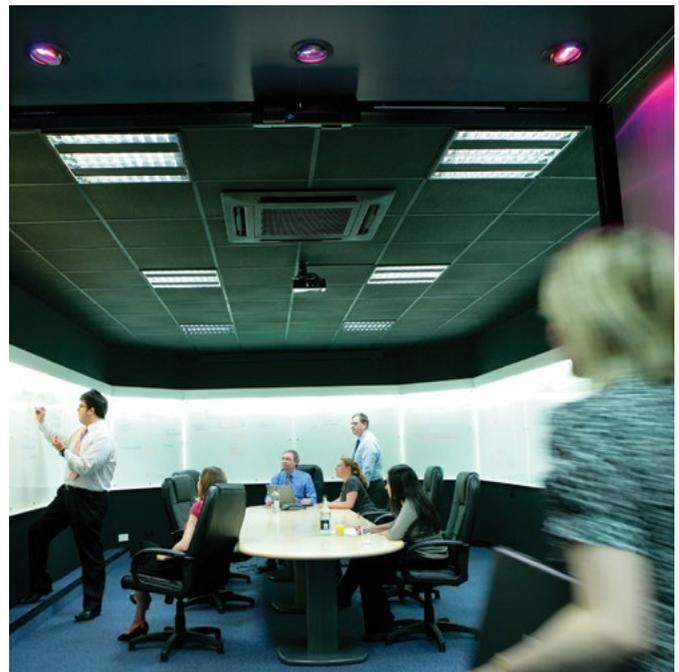
At the national level, progress has been through the creation of business-led institutions. We will now build on such institutions where they exist, or work with business to create them where they are needed.

We will work with local areas to help develop industry clusters based around local expertise, putting in place the right institutions with the right powers to help support local areas of economic strength. This may involve creating new institutions or strengthening existing ones such as educational and innovation institutions, business networks and trade associations, or financial networks and local funds. We will maximise the benefit that ‘anchor’ businesses can bring to an area by supporting the growth of UK supply chains. The Department for International Trade will review the potential role it can play in attracting businesses, including with reference to the impact they can make on areas where productivity needs to catch up.

The Cabinet Office is reviewing the location of Government agencies and cultural institutions and will consider relocating them where they could help reinforce local clusters and support private sector growth. Recognising the importance of cultural and sporting institutions in making different places attractive

to people and businesses, this review of arms-length bodies will include cultural institutions, particularly where cultural assets could be better used and exhibited to support local areas – for example, the Government Art Collection.

We will support the creation of new educational institutions where they are needed, and support local networks of universities where they want to come together to improve commercial opportunities. We will also review whether there is more that can be done to leverage government and research council laboratories to drive local growth. We will work with local government to review how to bring more business expertise into local government, for example through the creation of a modern “Alderman” type of role within local government; and we will work with Local Enterprise Partnership (LEPs) to review their role in delivering local growth, examining how we can spread best practice and strengthen LEPs, including extending the support they receive from the What Works centre for Local Economic Growth. We will work with the new Mayoral Combined Authorities to build up their capacity in the run up to the first elections in May.



For those areas where responsibility is devolved to Scotland, Wales and Northern Ireland, we will both respect devolved arrangements, and endeavour to build on shared interests to deliver better outcomes for people in all parts of the United Kingdom. To this end, we propose establishing Ministerial Forums on Industrial Strategy with each of the Devolved Administrations. These will bring together all

relevant UK Government departments and the Devolved Administrations to consider how the Industrial Strategy can best address key productivity barriers in Scotland, Wales and Northern Ireland. This is an open invitation to representatives of each Devolved Administration to develop plans jointly with the UK Government to support all areas of the UK, and to align our economic plans and strategies closely.

## Questions for consultation

1. Does this document identify the right areas of focus: extending our strengths; closing the gaps; and making the UK one of the most competitive places to start or grow a business?
2. Are the 10 pillars suggested the right ones to tackle low productivity and unbalanced growth? If not, which areas are missing?
3. Are the right central government and local institutions in place to deliver an effective industrial strategy? If not, how should they be reformed? Are the types of measures to strengthen local institutions set out here and below the right ones?
4. Are there important lessons we can learn from the industrial policies of other countries which are not reflected in these ten pillars?

# Executive summary

The proposals in this White Paper set out how the Government intends to boost housing supply and, over the long term, create a more efficient housing market whose outcomes more closely match the needs and aspirations of all households and which supports wider economic prosperity.

The challenge of increasing supply cannot be met by government alone – it is vital to have local leadership and commitment from a wide range of stakeholders, including local authorities, private developers, housing associations, lenders and local communities.

We have listened to concerns expressed by many within the housing and planning sector that the pace of change in policy and legislation can make local delivery more difficult. The White Paper addresses this issue by providing a long-term strategy to build the homes the country needs.

However we also need to help people now to find the right home while our strategy takes effect. So this White Paper sets out how we will address people's housing needs and aspirations in the shorter term. This includes supporting people to buy or rent their own home, preventing homelessness, improving options for older people and protecting the most vulnerable. Central to making our long term strategy work is the partnership between central and local government and developers. This White Paper sets out the support the Government will provide to enhance the capacity of local authorities and industry to build the new homes this country needs. In return we expect professions and institutions to play their part and turn these proposals into reality:

- For **local authorities**, the Government is offering higher fees and new capacity funding to develop planning departments, simplified plan-making, and more funding for infrastructure. We will make it easier for local authorities to take action against those who do not build out once permissions have been granted. We are interested in the scope for bespoke housing deals to make the most of local innovation. In return, the Government asks local authorities to be as ambitious and innovative as possible to get homes built in their area. All local authorities should develop an up-to-date plan with their communities that meets their housing

requirement (or, if that is not possible, to work with neighbouring authorities to ensure it is met), decide applications for development promptly and ensure the homes they have planned for are built out on time. It is crucial that local authorities hold up their end of the bargain. Where they are not making sufficient progress on producing or reviewing their plans, the Government will intervene. And where the number of homes being built is below expectations, the new housing delivery test will ensure that action is taken.

- For **private developers**, the Government is offering a planning framework that is more supportive of higher levels of development, with quicker and more effective processing and determination of planning applications, and is exploring an improved approach to developer contributions. In line with the industrial strategy, we will boost productivity, innovation, sustainability and skills by encouraging modern methods of construction in house building. We will encourage greater diversity of homebuilders, by partnering with smaller and medium-sized builders and contractors in the Accelerated Construction programme, and helping small and medium-sized builders access the loan finance they need. In return, the Government expects developers to build more homes, to engage with communities and promote the benefits of development, to focus on design and quality, and to build homes swiftly where permission is granted. Critically, we also expect them to take responsibility for investing in their research and skills base to create more sustainable career paths and genuinely bring forward thousands of new skilled roles.

- For **local communities**, the Government is offering a simpler and clearer planning process that makes it easier for them to get involved and shape plans for their area. We will ensure they see the benefits of housing growth and have greater say over the design of local developments. In return, the Government asks communities to accept that more housing is needed if future generations are to have the homes they need at a price they can afford.
- For **housing associations and other not-for-profit developers**, the Government has already announced funding worth a total of £7.1 billion through an expanded and more flexible Affordable Homes Programme. We will provide clarity over future rent levels. In return, we expect them to build significantly more affordable homes over the current Parliament.
- For **lenders, institutional investors and capital market participants**, the Government is offering a clear and stable long-term framework for investment, including products for rent. In return we call upon lenders and investors to back developers and social landlords in building more homes.
- For **utility companies and infrastructure providers**, the Government is offering a clear framework and simpler plans to help them understand the demands made on them, and is exploring an improved approach to developer contributions to help pay for new infrastructure. In return, the Government expects infrastructure providers to deliver the infrastructure that new housing needs in good time so that development is not delayed.

At the heart of the White Paper is the acknowledgement that the housing market is very different in different parts of the country. The Government is already putting in place devolution deals and large-scale strategies, such as the Northern Powerhouse, the Midlands Engine and our modern industrial strategy, that bring together public and private sector leaders across different regions.

However, we need a better understanding of the specific local issues that are holding back housing development and economic growth. We need to back mayors and local leaders to deliver in their areas for their communities. We will work with local authorities to understand all the options for increasing the supply of affordable housing.

The policies and proposals set out in this White Paper apply to England only. In Scotland, Wales and Northern Ireland, housing and planning policy is the responsibility of the Scottish Government, Welsh Government and Northern Ireland Executive respectively. The UK Government retains responsibility for housing and planning policy in England, including funding for England-only bodies such as the Homes and Communities Agency (HCA). The Mayor of London is responsible for the functions of the HCA in London.

## List of proposals

### Step 1: Planning for the right homes in the right places

- Making sure every part of the country has an up-to-date, sufficiently ambitious plan so that local communities decide where development should go;
- Simplifying plan-making and making it more transparent, so it's easier for communities to produce plans and easier for developers to follow them;
- Ensuring that plans start from an honest assessment of the need for new homes, and that local authorities work with their neighbours, so that difficult decisions are not ducked;
- Clarifying what land is available for new housing, through greater transparency over who owns land and the options held on it;
- Making more land available for homes in the right places, by maximising the contribution from brownfield and surplus public land, regenerating estates, releasing more small and medium-sized sites, allowing rural communities to grow and making it easier to build new settlements;
- Maintaining existing strong protections for the Green Belt, and clarifying that Green Belt boundaries should be amended only in exceptional circumstances when local authorities can demonstrate that they have fully examined all other reasonable options for meeting their identified housing requirements;
- Giving communities a stronger voice in the design of new housing to drive up the quality and character of new development, building on the success of neighbourhood planning; and
- Making better use of land for housing by encouraging higher densities, where appropriate, such as in urban locations where there is high housing demand; and by reviewing space standards.

### Step 2: Building homes faster

- Providing greater certainty for authorities that have planned for new homes and reducing the scope for local and neighbourhood plans to be undermined by changing the way that land supply for housing is assessed;
- Boosting local authority capacity and capability to deliver, improving the speed and quality with which planning cases are handled, while deterring unnecessary appeals;
- Ensuring infrastructure is provided in the right place at the right time by coordinating Government investment and through the targeting of the £2.3bn Housing Infrastructure Fund;
- Securing timely connections to utilities so that this does not hold up getting homes built;
- Supporting developers to build out more quickly by tackling unnecessary delays caused by planning conditions, facilitating the strategic licensing of protected species and exploring a new approach to how developers contribute to infrastructure;
- Taking steps to address skills shortages by growing the construction workforce;
- Holding developers to account for the delivery of new homes through better and more transparent data and sharper tools to drive up delivery; and
- Holding local authorities to account through a new housing delivery test.

### Step 3: Diversifying the market

- Backing small and medium-sized builders to grow, including through the Home Building Fund;
- Supporting custom-build homes with greater access to land and finance, giving more people more choice over the design of their home;
- Bringing in new contractors through our Accelerated Construction programme that can build homes more quickly than traditional builders;
- Encouraging more institutional investors into housing, including for building more homes for private rent, and encouraging family-friendly tenancies;
- Supporting housing associations and local authorities to build more homes; and
- Boosting productivity and innovation by encouraging modern methods of construction in house building.

### Step 4: Helping people now

- Continuing to support people to buy their own home – through Help to Buy and Starter Homes;
- Helping households who are priced out of the market to afford a decent home that is right for them through our investment in the Affordable Homes Programme;
- Making renting fairer for tenants;
- Taking action to promote transparency and fairness for the growing number of leaseholders;
- Improving neighbourhoods by continuing to crack down on empty homes, and supporting areas most affected by second homes;
- Encouraging the development of housing that meets the needs of our future population;
- Helping the most vulnerable who need support with their housing, developing a sustainable and workable approach to funding supported housing in the future; and
- Doing more to prevent homelessness by supporting households at risk before they reach crisis point as well as reducing rough sleeping.

# Agenda Item 5



**Meeting:** Solent Growth Forum  
**Date:** 14<sup>th</sup> March 2017  
**Item 5:** Inward Investment and International Trade

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## Purpose of report

To provide an update on the 2015/16 UK Trade and Investment (UKTI) Inward Investment Figures and initiate a discussion on the LEP's approach to encouraging Inward Investment and International Trade in the Solent.

### 1. Update on 2015/16 UKTI Inward Investment Performance in the Solent

In 2015/16 UKTI reported a total of 17 successful Foreign Direct Investment (FDI) projects accounting for 215 new and 1,020 safeguarded jobs, in the Solent, with just 40% of these projects representing new investment. This is shown in table 1, below. This was a reduction on the figures reported for the previous year of 21. This reduction in project numbers is very concerning given the overall FDI performance for the UK reported an 11% increase on 2014/15 successes.

**Table 1: FDI Performance in the Solent in 2015/16 and 2014/15**

	FY15/16			FY14/15		
	New Jobs	Safeguarded Jobs	# Projects	New Jobs	Safeguarded Jobs	# Projects
Involved	75	800	8	508	10	13
Non- Involved	140	220	9	350	1	8
<b>TOTAL</b>	<b>215</b>	<b>1020</b>	<b>17</b>	<b>858</b>	<b>11</b>	<b>21</b>

In addition to the above, the LEP has identified five projects that were not recorded in 2015/16.

The complete picture for 2015/16, therefore, is 22 projects, accounting for 365 new and 1,090 safeguarded jobs with up to £854m of investment. The findings, therefore, do not detract from the underlying underperformance of the Solent in attracting FDI and show a marginal improvement of just one project on the 2014/15 data.

Reporting mechanisms have been strengthened locally for 2016/17, with centralised reporting and a greater FDI co-ordinating role by the LEP across the area.

### 2. Encouraging Inward Investment and International Trade in the Solent

Following the establishment of the Department for International Trade (DIT), there is a coupling of Trade and Inward Investment at the national level, recognising that inward investment can help to stimulate export-led growth. In consideration of this, the LEP board agreed to reposition the Solent

LEP's Inward Investment Strategic Priority as Inward Investment and International Trade and requested that the Executive develops a proposed approach to Inward Investment and International Trade.

One of the areas of focus in the Building Our Industrial Strategy Green Paper is to encourage trade and inward investment. A key rationale for government action to encourage trade and investment is that it drives growth by increasing competition, supports productivity gains (less than 11% of UK business export, yet those that do contribute 60% of the UK's productivity growth) and brings new ideas to the UK, which 'spill-over' into the wider economy. Government also recognise that diversification across export markets help to increase business resilience and enables stronger growth to be achieved during periods in which economic conditions in the UK are more challenging. The coupling of trade and inward investment recognises that over half of all foreign-owned companies in the UK are exporters.

Actions underway by DIT include doubling export finance capacity; using a new digital platform services at [great.gov.uk](https://www.great.gov.uk) making it easier for firms to access support; joining up trade and investment promotion with local areas; and improving market access for exporters. New commitments set out in the Green Paper include building future trading relationships, with a more active "Team UK" approach to winning overseas contracts and a greater UK presence at international trade fairs. A new approach will also involve targeting potential exporters, using HMRC data and with analysis of the best practices of the leading global inward investment promotion agencies.

The focus of the proposed Industrial Strategy on providing the conditions to enable every "place" to meet its potential is apparent in proposals to join up national trade and inward investment services with local areas. It is likely that the scale of the national trade and investment services contract will be reduced with some resource re-allocated to teams dedicated to the Northern Powerhouse, Midlands Engine, Greater London and Southern England, working closely with LEP's. The Green Paper also highlights the opportunities for increasing defence exports, which is something pertinent to the industrial base of the Solent. The Defence Security Organisation (DSO) is working with industry whereby consortia of UK defence companies produce a single UK bid for overseas government customers, which enables the UK Government to provide coherent support to a single UK bid, increasing the probability of success. Indeed, [Sir John Parker's report to inform the UK National Shipbuilding Strategy](#) recommends that future government defence procurement is designed with an eye to future export opportunities, by ensuring ships the UK procure are of a type with export potential. Locally, we have seen such an approach in the work of the Defence Growth Partnership (DGP) and the establishment of the Centre for Maritime Intelligent Systems (CMIS), although CMIS will now be re-located from Portsmouth Technology Park to co-locate the activity with the DGP's UK Defence Solutions Centre (UKDSC) at Farnborough.

### **Priorities for the Solent LEP**

In consideration of the continued FDI under-performance in the Solent and the increased focus and coupling of trade and inward investment within the approach to developing a modern industrial strategy, the LEP is seeking to sharpen its approach with a view to improving both the level of investment attracted to the Solent and supporting our businesses to export more.

The Solent LEP [Productivity and Growth Strategy Update 2017](#) identifies the following priorities for the Inward Investment and International Trade strategic priority in 2017/18:

- Retain and grow existing Solent businesses through supporting investment in the local area, including support to access new markets;
- Developing a more cohesive package of support for businesses that want to invest in the area.
- Develop, coordinate and deliver a new trade and investment strategy.

The scale of the challenge for the Solent requires a more focussed approach, and one that aligns with the efforts to encourage trade and inward investment at the national level. Therefore, the LEP is to focus its efforts on two areas:

- A. Supporting existing businesses to grow (in particular by accessing new markets) and encourage new businesses to establish in the Solent; and
- B. Enhance the attractiveness of the Solent for Inward Investment (not just FDI, but growth of investment in indigenous companies too)

### **Supporting existing businesses to grow (in particular by accessing new markets) and encourage new businesses to establish in the Solent**

In relation to supporting existing businesses to grow and encouraging new businesses to establish in the Solent, the LEP has recently launched the £5m [Solent Growth Fund](#), which provides funding to support existing businesses to grow and new businesses to establish through delivering new processes / products / services, and / or developing new markets. In addition we have responded to a recent ERDF funding call and if successful there would be revenue available to support SME's seeking to access international markets.

The LEP is also developing a strong relationship with Maritime UK, and has discussed opportunities for Solent marine and maritime businesses to leverage off Maritime UK international trade activities and programmes. The executive has also initiated discussions with Maritime UK in relation to developing a Sector Deal for marine and maritime. Finally, we can also work to leverage more out of the relationship with local DIT teams, to better join-up trade and investment promotion, as set out in the Industrial Strategy.

### **Enhancing the attractiveness of the Solent for Inward Investment (not just FDI, but growth of investment in indigenous companies too)**

In relation to the second part of the proposed approach, that being to improve the attractiveness of the Solent to inward investment, there is much to promote. The Solent - or the Southern Gateway - is exceptionally well positioned in relation to UK and international markets and the global metropolis of London. It benefits from three key international gateways, is close to Heathrow, is well-connected, and is home to a range of multi-national companies as well as a diverse SME base. The area has three Universities and key research assets with world-leading capabilities, exceptional natural assets focussed on our 290 miles of coastline, and globally renowned events (Cowes Week, Southampton International Boat Show, and the Isle of Wight Festival), key tourist attractions (the Historic Dockyard), as well as Premier League football.

In recent roundtables with businesses, it was been suggested that the LEP should actively promote the Solent offer with a focus on our key economic assets, sectoral strengths, innovation assets, geography, quality of life and as a primary gateway for international trade - the Southern Gateway.

The LEP has undertaken analysis of other areas to draw on their experience, and examples include

[London & Partners](#), [Belfast City](#), [Manchester](#) and [Leeds City Region](#), the latter promoting a range of areas within the Leeds City Region - much like a Solent approach would need to. Each has a strong online presence that is international-facing, sets out a story - why to invest in the area, identifies sectoral strengths, the key development opportunities, and how to access investor support.

In response to the clear need to address the trends in FDI and the requirement to support existing businesses in international trading markets, the LEP will take forward work to:

- Support export growth initiatives with the Solent SME base; and
- Develop an approach to promote key development and regeneration opportunities that complements existing work.

### **3. Discussion**

The LEP would welcome the views of the SGF on the approach of the LEP to encouraging Inward Investment and International Trade in the Solent so that the area may tackle the entrenched performance.

# Agenda Item 6



SOLENT  
LOCAL  
ENTERPRISE  
PARTNERSHIP

**Meeting:** Solent Growth Forum  
**Date:** 14<sup>th</sup> March 2017  
**Item 6 :** Local Growth Deal Programme update  
**Purpose:** For information

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## Purpose of report

This report provides an update to the Solent Growth Forum on the 2016/17 and 2017/18 Local Growth Deal (LGD) programme and the outcome of Local Growth Deal 3

### 1. Current status of 2016/17 LGD programme

Since the last the Solent Growth Forum the Executive have continued to work with 2016/17 LGD scheme leads to monitor project progress for delivery on site and the signing of funding agreements and funding variations with scheme leads to maximise opportunities for defrayal of the £44,198,569<sup>1</sup> 2016/17 LGD allocation.

Table 1 below summarises the current position (incorporating approvals from the March Solent LEP Board meeting) at end of quarter 3 in 2016/17.

The current position on LGD Capital programme for 2016/17 is detailed in Table 1 as follows;

**Table 1: - Current Funding Agreement Status of schemes within 2016/17 Solent Growth Fund Programme**

LGD Programme Management Costs	£300,000
Solent Growth Fund (2016)	£1,597,000
Innovation programme Fund (2016) Programme Management Costs	£75,000
<b>Sub Total</b>	<b>£1,972,000</b>
<b>Final Agreement</b>	
Eastleigh College Estates Renewal	£2,190,000
Isle of Wight College CoE for Composites, Advanced Manufacturing and Marine	£5,500,000
Solent Gateway Programme - Isle of Wight Floating Bridge	£3,776,782

<sup>1</sup> The £44,198,569 includes the 16/17 allocation of £42,640,334 + carry forward from 2015/16 + Capital Funding returned to LGD from Accountable Body

A27 Station Roundabout / Gudge Heath Lane	£2,893,000
Fareham and Gosport multiyear programme (Newgate Lane South)	£6,073,000
Fareham and Gosport multiyear programme (A27 Dualling Phase 1 and 2)	£7,325,000
BAE Systems Marine Engineering Centre Development	£1,179,000
<b>Sub Total</b>	<b>£28,936,782</b>
<b>At final stages of negotiation with scheme promoters</b>	
Innovation Fund - University of Portsmouth Future Technology Centre	£1,050,000
Innovation Fund - Fareham BC - Fareham Innovation Centre Phase 2	£2,000,000
<b>Sub Total</b>	<b>£3,050,000</b>
<b>Schemes to be brought forward in Q4 - 2016/17</b>	
Stubbington Bypass - Phase 1 Land Assembly	£3,500,000
<i>Solent Accelerated housing delivery programme</i>	<i>£3,000,000</i>
<b>Sub Total</b>	<b>£6,500,000</b>
<b>Total (a)</b>	<b>£40,458,782</b>
<b>Solent Growth Deal Award 2016/17 (b)</b>	<b>£42,640,334</b>
<b>Carry forward from 2015/16 (c)</b>	<b>£558,235</b>
<b>Capital funding for LGD returned from Accountable body (d)</b>	<b>£1,000,000</b>
<b>Total LGD Capital programme 2016/17 (e) = (b) + (c) + (d)</b>	<b>£44,198,569</b>
<b>Underspend to be carried forward to 2017/18 (f) = (a) - (e)</b>	<b>£3,739,787</b>

Solent Growth Forum members should note that a number that since the last Solent Growth Forum more schemes have gone to contract, final agreements have been signed and LGD funding has been defrayed.

Solent Growth Forum members may wish to note the following changes and additions to the Local growth deal programme for 2016/17

We have received confirmation from DCLG of a new grant of £7.67 million for infrastructure to support housing delivery at Centenary Quay and as a result the scheme has been completely removed from the 2016/17 LGD Capital programme resulting in the current forecast underspend of £6,739,787 or 15.25% in 2016/17.

The 2016/17 programme now includes provision to provide advance funding of £3,500,000 to support advance works ahead of construction of the Stubbington Bypass which has been supported under Local Growth Deal round three.

The LEP have also agreed to support a Solent accelerated housing delivery scheme in the area to bring forward a new and innovative housing delivery programme.

This scheme will complement the new government Accelerated Construction programme, which is seeking to provide a tailored package of support to ambitious local authorities who would like to develop out surplus land holdings at pace. The programme aims to deliver up to 15,000 homes (housing starts) on central and local surplus public sector land in this Parliament through £1.7 billion of investment. In doing so, they want to use Accelerated

Construction to tackle broader constraints to seeing more homes built. The programme is designed to support their market diversification objectives by supporting non-major builders and help tackle the construction skills gaps, including through greater use of Modern Methods of Construction (MMC). Further information on the national initiative and the funding call can be accessed at:

<https://www.gov.uk/government/publications/accelerated-construction-local-authorities-expressions-of-interest>

As a result of the changes and additions outlined above to the 2016/17 LGD programme it has reduced the current forecast underspend to £3,739,787 or 8.53% in 2016/17.

## **2. Proposed LGD Capital Programme for 2017/18**

At the time of writing Solent LEP has received the grant determination letter for the Centenary Quay scheme and we await the grant determination letter for 2017/18 LGD funding but we have received confirmation from BEIS/DCLG of the funding award of £31.02 million. Table 2 below shows the proposed LGD capital programme for 2017/18:

**Table 2: - Proposed LGD Capital programme for 2017/18**

Solent Growth Fund	£3,896,568
LGD Programme Management costs	£300,000
Innovation Fund	£1,075,000
<b>Sub Total</b>	<b>£5,271,568</b>
<b>Under negotiation - Funding Agreement to be drafted</b>	
Fareham and Gosport multiyear programme (Newgate Lane South)	£2,627,000
North Whiteley	£2,500,000
National Maritime Systems Centre	£1,140,705
Stubbington Bypass Phases 2 to 4	£5,050,000
<b>Sub Total</b>	<b>£11,317,705</b>
<b>Work under development</b>	
Local Large majors (Solent Metro and SAEG)	£1,000,000
Regeneration Investment to unlock sites for growth	£1,500,000
Solent Growth Deal Programme Development Fund	£500,000
<b>Sub Total</b>	<b>£3,000,000</b>
<b>Total (a)</b>	<b>£19,589,273</b>
<b>Solent Growth Deal Award 2017/18 (b)</b>	<b>£18,982,028</b>
<b>Local Growth Deal 3 Allocation (c)<sup>2</sup></b>	<b>£6,550,000</b>
<b>Proposed carry forward from 2016/17 (d)</b>	<b>£3,739,787</b>
<b>Capital funding returned from Growing Places Fund for accelerated construction (e)</b>	<b>£3,000,000</b>

<sup>2</sup> Please note this figure is indicative and will LGD3 profiling to be confirmed

<b>Total LGD Capital programme 2016/17 (f) = (b) + (c) + (d) + (e)</b>	<b>£32,271,815</b>
<b>Under programmed capital funding (g) = (a) - (f)</b>	<b>£12,682,542</b>

Solent Growth Forum members be note that the 2017/18 LGD capital programme is not fully allocated at this stage with just over £12.6 million (or 39%) yet to be committed. This is being considered by the executive currently and they will look at options to bring forward schemes from future years as well as issuing a new funding call (details for this are set out below). We are also scheduled to launch the new Solent Growth Deal programme development fund in March 2017 and further information on this will be provided at the meeting.

A more detailed analysis of the programme through to 2020/21 will come forward for consideration by the board at their next meeting in May 2017, including an assessment on deliverability in relation to schemes profiled in future years and shared thereafter with the Solent Growth Forum.

### **Section C: Local Growth Deal 3 update**

Solent Growth Forum members should note that that we have recently received confirmation of the Local Growth Deal 3 settlement which is £31.02 million. In addition we have also received confirmation from DCLG of additional funding for Centenary Quay of £7.676 million.

This new tranche of funding will deliver:

- Stubbington bypass, a strategic investment which will transform connectivity of the Solent Enterprise Zone and wider Fareham and Gosport peninsular;
- A Solent Skills and Productivity Investment Fund for the area, enabling the LEP to invest in local skills and infrastructure projects which enable productivity growth in the Solent;
- Enabling infrastructure for Centenary Quay (separate from the Growth Deal)

The fact sheet in Item 6 Annex A provides further information.

Therefore the Solent Growth Forum is asked to:

- **Note** this update.

## GROWTH DEALS 3 FACTSHEET – SOLENT LEP

### 1. How much is the Government investing in Solent LEP as part of the Growth Deal programme?

	<b>Growth Deal One (July 2014)</b>	<b>Growth Deal Two (Jan 2015)</b>	<b>Growth Deal Three (Jan 2017)</b>
Local Growth Fund Award	£124.8m	£27.1m	£31.02m
<b>Total Award</b>	<b>£182.92m</b>		

### 2. What will this new funding deliver?

This new tranche of funding will deliver:

- Stubbington bypass, a strategic investment which will transform connectivity of the Solent Enterprise Zone and wider Fareham and Gosport peninsular;
- A Solent Skills and Productivity Investment Fund for the area, enabling the LEP to invest in local skills and infrastructure projects which enable productivity growth in the Solent;
- Enabling infrastructure for Centenary Quay (separate from the Growth Deal)

### 3. What has previous funding delivered?

This builds on previous Growth Deal investments in the Solent, which have funded or are due to fund the following projects:

- A world leading Cancer Immunology Centre, pioneering new treatments with global application, at the University Hospital, Southampton.
- A package of enabling works in Fareham and Gosport to support strategic sites at Welborne (a new housing development) and the Solent Enterprise Zone (1) Preliminary works associated with the Stubbington Bypass; and (2) A Local Road network improvement package (including Peel Common Roundabout); and in addition a provisional allocation to M27 Junction 10 upgrade to “all moves” starting beyond 2017.
- A new highway route to join the existing community of Whiteley and the planned new development to the north of Whiteley to the existing highway network, accelerating the delivery of 3,500 new homes and mitigating chronic congestion at M27 junction 9.
- A replacement Floating Bridge, sustaining the critical connectivity between Cowes and East Cowes on the Isle of Wight.
- Isle of Wight College – building a centre of excellence for composites, advanced manufacturing and marine technology
- Eastleigh College – upgrading existing college facilities, including a new Advanced Technology block
- Solent Growth Fund – extending an existing programme to provide further business start-up funding, support for young entrepreneurs and expansion funds for existing businesses to help them improve productivity and reach new markets.

- Solent Mitigation– a package of measures working with Defra and its agencies to take a more strategic approach to environmental disturbance mitigation across the Solent area, to support new housing delivery.
- Fareham Innovation Centre - Delivery of phase 2 of the successful Fareham Innovation Centre, to respond to demand and provide scale-up space and conferencing facilities.
- Future Technology Centre - Working with the University of Portsmouth to provide new space for Solent SMEs to leverage of the capacity, capabilities and assets of the University.

#### **4. How will this benefit the local community and local businesses?**

Stubbington bypass will transform connectivity of the Fareham and Gosport peninsula, linking the local community and local businesses, improving agglomeration, and providing better access to markets. There are particularly strong forecast benefits to private road users. The scheme has been an aspiration for over 30 years and has strong local support. Businesses will benefit from improved access to local skilled labour, in particular those businesses based on or planning to relocate to Solent Enterprise Zone; a key strategic purpose of the scheme is to relieve traffic congestion that might impede the optimal development of this site.

#### **5. Other Sources of Funding for Solent LEP**

- Growing Places Fund: £18m
- Enterprise Zone funding (Daedalus): £7m
- Portsmouth & Southampton City Deal: £57m
- Regional Growth Fund: £53.7m
- Other; Broadband Delivery UK - £8.42m
- The Solent LEP area has an indicative allocation of approximately €42.9 million of EU funding to support jobs and growth in the funding period 2014 – 20. This comprises €22 million European Regional Development Funding (ERDF) to support the growth of SMEs, innovation and low carbon projects and €21 million European Social Fund (ESF) for employability, skills and social inclusion.

**Communities Secretary Sajid Javid** said:

“As part of efforts to deliver an economy that works for everyone, the Government is devolving powers and resources directly from Whitehall to local people who know their areas best.

“That is why we’re giving £31.02 million new money to the Solent to give businesses the support and opportunities they need to achieve their potential – on top of the £151.9 million we have already awarded.”

**Solent LEP Chairman Gary Jeffries** said:

“The Solent economy has huge potential and the investment announced today for Stubbington Bypass represents a major boost to the region through unlocking growth opportunities on the Fareham / Gosport peninsular.

The bypass was identified as a key scheme within our Transport Investment Plan, however, we know there is more work to do and we will continue to work with both local partners and national

agencies in the coming years to secure the further investments which will unlock growth opportunities in Southampton, Portsmouth and on the Isle of Wight."

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